



South Atlantic Bancshares, Inc. Reports Earnings of \$0.33 per Diluted Common Share For the Three Months Ended June 30, 2023

MYRTLE BEACH, S.C., July 25, 2023 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$2.5 million, or \$0.33 per diluted common share, for the three months ended June 30, 2023, a slight increase compared to the three months ended June 30, 2022.

Second Quarter 2023 Financial Highlights:

- Net income for the quarter was \$2.5 million, representing a 11.0 percent return on average equity
- Year-to-date net income totaled \$5.6 million, a 24.9 percent increase over the same period in 2022
- Total deposits grew \$21.2 million for the quarter to \$1.3 billion, and have increased \$61.3 million year-to-date
- Interest income increased \$5.5 million or 48.8 percent compared to the second quarter of 2022
- Total assets increased \$47.6 million during the quarter to \$1.5 billion, a 12.9 percent annualized increase
- Total loans increased \$46.8 million during the quarter, a 17.8 percent annualized increase
- Year-to-date tangible book value per share has increased by \$0.81 or 7.2%

Commenting on the second quarter 2023 results, the Company's Chairman and Chief Executive Officer, K. Wayne Wicker, remarked, "The second quarter of 2023 was another successful quarter for our Company. We experienced strong loan and deposit growth during the quarter. Our deposits grew by \$21.2 million during the quarter, despite intense competition in the market. While our net interest margin contracted in the second quarter due to rising cost of funds as a result of the continued rising market interest rate environment, our strong loan growth continues to boost earning asset yields to partially offset increased interest expense. We grew loans by \$46.8 million during the quarter, bringing our total loan growth year-to-date to \$92.7 million. Demand has remained high in all of our markets. Our credit quality and risk indicators remain excellent, despite uncertain forecasted economic conditions due to the continued rising interest rate environment and persistent inflation in the U.S. As we move forward in 2023, we are focused on achieving operating efficiencies, identifying opportunities for expense reductions, and delivering appropriately margined growth through strong underwriting and our conservative credit culture."

Selected Financial Highlights For the Periods/Three Months Ended

Balance Sheet (000's)	June 30,	June 30,	Change (\$) ¹	Change (%) ¹
	2023	2022		
Total Assets	\$ 1,525,413	\$ 1,403,684	\$ 121,729	8.7%
Total Loans, Net of Unearned Income	1,095,316	887,712	207,604	23.4%
Total Deposits	1,278,043	1,266,965	11,078	0.9%
Total Equity	96,586	89,929	6,657	7.4%

Income Statement and Per Share Data	June 30,	June 30,	Change (\$) ¹	Change (%) ¹
	2023	2022		
Net Income (000's)	\$ 2,513	\$ 2,508	\$ 5	0.2%
Earnings Per Share	0.33	0.33	-	0.0%

Selected Financial Ratios	June 30,	June 30,
	2023	2022
Return on Average Assets	0.67%	0.74%
Return on Average Equity	11.03%	10.83%
Efficiency Ratio	70.84%	69.65%
Net Interest Margin	2.92%	3.36%

¹ Represents quarter over quarter, results not annualized.

Earnings Summary

Net interest income decreased \$156 thousand, or 1.5 percent, to \$10.3 million in the three months ended June 30, 2023, when compared to \$10.5 million in the three months ended June 30, 2022. The decrease during the period was driven by a \$5.7 million increase in deposit-related interest expense due to competition from bank and non-bank alternatives, and the migration of a portion of the Company's deposit balances from noninterest and low interest bearing deposits to higher cost savings, money market, and time deposits during the period. The Company also experienced reduced interest income quarter-over-quarter of \$235.0 thousand from the recognition of deferred fees from the Bank's then-remaining Paycheck Protection Program loans, the remainder of which were forgiven by the Small Business Administration or otherwise paid off during the second quarter of 2022. The decrease in net interest income during the second quarter of 2023 was partially offset by a \$5.1 million increase in interest income on the Company's loan portfolio due to increased yields and volume, as well as an increase of \$440 thousand from the Company's investment securities portfolio.

Noninterest income declined \$13.0 thousand, or 0.9 percent, to \$1.5 million for the three months ended June 30, 2023 when compared to the three months ended June 30, 2022, primarily due to a market driven reduction in secondary mortgage fee income of \$389.0 thousand, partially offset by an increase in service charges of \$244.1 thousand. The increase in service charges during the period was related to a one-time recognition of an early withdrawal penalty on a certificate of deposit.

Noninterest expense decreased \$24.5 thousand, or 0.6 percent, to \$8.4 million for the quarter ended June 30, 2023, when compared to \$8.5 million for the quarter ended June 30, 2022. An expense savings of \$238.3 thousand, or 4.4 percent, was recognized for salary and employee benefits for the second quarter of 2023 versus the second quarter of 2022. Other noninterest expense during the period, including public relations and business development activities, audit expense with the implementation of applicable audit and reporting requirements under the Federal Deposit Insurance Corporation Improvement Act of 1991, and check fraud losses, increased \$224.1 thousand, or 11.2 percent.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended					Six Months Ended
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	June 30, 2023
Interest Income						
Loans	\$ 14,122	\$ 13,015	\$ 11,727	\$ 10,589	\$ 9,065	\$ 27,137
Investments	2,648	2,383	2,583	2,598	2,208	5,031
Total Interest Income	\$ 16,770	\$ 15,398	\$ 14,310	\$ 13,187	\$ 11,273	\$ 32,168
Interest Expense	6,440	4,241	1,793	877	787	10,681
Net Interest Income	\$ 10,330	\$ 11,157	\$ 12,517	\$ 12,310	\$ 10,486	\$ 21,487
Provision for Loan Losses	180	175	900	650	325	355
Noninterest Income	1,481	1,126	1,084	1,198	1,494	2,607
Noninterest Expense	8,442	8,322	7,518	8,594	8,467	16,764
Income Before Taxes	\$ 3,189	\$ 3,786	\$ 5,183	\$ 4,264	\$ 3,188	\$ 6,975
Provision for Income Taxes	676	662	1,232	675	680	1,338
Net Income	\$ 2,513	\$ 3,124	\$ 3,951	\$ 3,589	\$ 2,508	\$ 5,637
Basic Earnings Per Share	\$ 0.33	\$ 0.41	\$ 0.52	\$ 0.47	\$ 0.33	\$ 0.74
Diluted Earnings Per Share	\$ 0.33	\$ 0.41	\$ 0.52	\$ 0.47	\$ 0.33	\$ 0.74
Weighed Average Shares Outstanding						
Basic	7,545,922	7,546,566	7,561,993	7,588,505	7,586,465	7,546,242
Diluted	7,606,002	7,632,316	7,651,288	7,701,507	7,702,831	7,619,667
Total Shares Outstanding	7,596,779	7,596,779	7,596,198	7,592,520	7,592,520	7,596,779

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Noninterest Income					
Service charges and fees	\$ 389	\$ 128	\$ 126	\$ 138	\$ 145
Securities gains, net	-	3	-	(71)	(110)
Secondary mortgage income	225	196	157	303	614
Other income	867	799	801	828	845
Total noninterest income	\$ 1,481	\$ 1,126	\$ 1,084	\$ 1,198	\$ 1,494
Noninterest expense					
Salaries and employee benefits	\$ 5,118	\$ 5,036	\$ 4,344	\$ 5,257	\$ 5,357
Occupancy	1,090	1,114	1,086	1,074	1,100
Other expense	2,234	2,172	2,088	2,263	2,010
Total noninterest expense	\$ 8,442	\$ 8,322	\$ 7,518	\$ 8,594	\$ 8,467

Balance Sheet Activity

Total assets increased \$115.8 million to \$1.53 billion as of June 30, 2023, compared to \$1.41 billion as of December 31, 2022 and \$1.40 billion as of June 30, 2022. The increase in total assets during the six months ended June 30, 2023 was driven primarily by an increase in net loans of \$92.3 million and an increase in cash and cash equivalents of \$22.2 million, offset by a reduction in investment securities of \$4.3 million. Total loans increased 9.2 percent during the six months ended June 30, 2023, compared to 21.0 percent for six months ended June 30, 2022.

Total deposits increased \$61.3 million during the six months ended June 30, 2023, and total deposits have increased \$11.1 million year-over-year since June 30, 2022.

Shareholders' equity totaled \$96.6 million as of June 30, 2023, an increase of \$6.0 million from December 31, 2022, driven by a positive \$1.6 million adjustment for unrealized losses in the Bank's available-for-sale securities portfolio since December 31, 2022, in addition to \$5.6 million in earnings during the six months ended June 30, 2023, partially offset by the payment of the Company's first cash dividend on its shares of common stock in the first half of 2023.

The Company reported 7,596,779 total shares of common stock outstanding as of June 30, 2023. The increase of 581 shares of common stock outstanding during the six months ended June 30, 2023 is due to the exercise of stock options granted.

Balance Sheets

Dollars in Thousands

	For the Periods Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Cash and Cash Equivalents	\$ 38,011	\$ 37,651	\$ 15,851	\$ 31,397	\$ 118,495
Trading Securities	-	-	-	-	-
Investment Securities	313,202	316,336	317,541	321,496	330,436
Loans Held for Sale	426	1,682	677	766	2,156
Loans					
Loans	1,095,316	1,048,555	1,002,633	948,031	887,712
Less Allowance for Loan Losses	(10,462)	(10,281)	(10,111)	(9,210)	(8,560)
Loans, Net	\$ 1,084,854	\$ 1,038,274	\$ 992,522	\$ 938,821	\$ 879,152
OREO					
Property, net of accumulated depreciation	\$ 22,494	\$ 20,331	\$ 19,888	\$ 19,332	\$ 19,371
BOLI	29,924	29,721	29,517	29,324	24,143
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	455	411	453	496	542
Other Assets	30,698	28,089	27,795	26,475	24,040
Total Assets	\$ 1,525,413	\$ 1,477,844	\$ 1,409,593	\$ 1,373,456	\$ 1,403,684
Deposits					
Noninterest bearing	\$ 355,549	\$ 343,822	\$ 371,412	\$ 400,321	\$ 408,474
Interest bearing	922,494	912,996	845,350	836,060	858,491
Total Deposits	\$ 1,278,043	\$ 1,256,818	\$ 1,216,762	\$ 1,236,381	\$ 1,266,965
Subordinated Debt	30,000	30,000	30,000	30,000	30,000
Other Borrowings	104,480	80,000	56,475	804	-
Other Liabilities	16,304	16,581	15,817	18,071	16,790
Total Liabilities	\$ 1,428,827	\$ 1,383,399	\$ 1,319,054	\$ 1,285,256	\$ 1,313,755
Stock with Related Surplus	\$ 78,483	\$ 78,443	\$ 78,908	\$ 78,734	\$ 78,709
Retained Earnings	44,329	41,816	39,446	35,455	31,866
Accumulated Other Comprehensive Income	(26,226)	(25,814)	(27,815)	(25,989)	(20,646)
Shareholders' Equity	\$ 96,586	\$ 94,445	\$ 90,539	\$ 88,200	\$ 89,929
Total Liabilities and Shareholders' Equity	\$ 1,525,413	\$ 1,477,844	\$ 1,409,593	\$ 1,373,456	\$ 1,403,684

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), decreased by 44 basis points to 2.92 percent for the three months ended June 30, 2023, compared to 3.36 percent for the three months ended June 30, 2022. Cost of funds increased by 106 basis points to 1.86 percent for the three months ended June 30, 2023 compared to 0.26 percent for the three months ended June 30, 2022, partially offset by an increase in yield on earning assets of 83 basis points to 5.23 percent for the quarter ended June 30, 2023 compared to the quarter ended June 30, 2022.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	June 30, 2023		March 31, 2023		December 31, 2022		September 30, 2022		June 30, 2022	
	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate
Interest earning assets										
Loans	\$ 1,081	5.14%	\$ 1,030	5.02%	\$ 971	4.69%	\$ 920	4.39%	\$ 822	4.11%
Loan fees		0.09%		0.10%		0.10%		0.17%		0.29%
Loans with fees	\$ 1,081	5.23%	\$ 1,030	5.12%	\$ 971	4.79%	\$ 920	4.56%	\$ 822	4.40%
Total interest earning assets	\$ 1,437	4.71%	\$ 1,388	4.52%	\$ 1,332	4.29%	\$ 1,357	3.88%	\$ 1,258	3.61%
Interest-bearing liabilities										
Total interest bearing deposits	\$ 920	2.15%	\$ 870	1.45%	\$ 831	0.62%	\$ 851	0.28%	\$ 825	0.25%
Total interest bearing liabilities	\$ 1,046	2.46%	\$ 975	1.76%	\$ 882	0.80%	\$ 881	0.39%	\$ 855	0.37%
Cost of funds		1.86%		1.29%		0.56%		0.27%		0.26%
Net interest margin		2.92%		3.29%		3.76%		3.63%		3.36%

Credit Quality

Effective January 1, 2023, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, including the current expected credit losses ("CECL") methodology for estimating the allowance for credit losses. The CECL methodology requires earlier recognition of credit losses using a life of loan, expected loss methodology that incorporates reasonable and supportable forecasts into the estimate.

The Company's adoption of the CECL methodology resulted in a \$960,000 day-one reduction in required reserve levels under CECL. The Company recorded a provision for credit losses during the three months ended June 30, 2023 of \$180 thousand compared to a provision of \$325 thousand for the three months ended June 30, 2022.

We continue to see excellent credit quality in our markets through June 30, 2023, with no loans classified as non-accrual, and no loans past due greater than 30 days as of June 30, 2023.

The Company continues to closely monitor credit quality in light of the recent events in the banking industry, including the recent bank failures, and a continued worsening of forecasted economic conditions due to the rising interest rate environment and persistent high inflation levels in the United States and our market areas. Accordingly, additional provisions for credit losses may be necessary in future periods.

Credit Quality Analysis

	For the Periods Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
LLR to Total Loans	0.96%	0.98%	1.01%	0.97%	0.96%
NPAs to Avg Assets	0.00%	0.00%	0.00%	0.00%	0.00%
NCOs to Total Loans	0.00%	0.00%	0.00%	0.00%	0.00%
Past Due > 30 Days to Total Loans	0.00%	0.00%	0.00%	0.00%	0.00%
Total NPAs (thousands)	\$ -	\$ -	\$ -	\$ -	\$ -

Performance Ratios

	For the Three Months Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
ROAA	0.67%	0.88%	1.13%	0.99%	0.74%
ROAE	11.03%	13.93%	25.18%	13.59%	10.83%
Efficiency	70.84%	67.11%	54.99%	62.97%	69.65%
NIM	2.92%	3.29%	3.76%	3.63%	3.36%
Book Value	\$ 12.71	\$ 12.43	\$ 11.92	\$ 11.62	\$ 11.84
Tangible Book Value	\$ 11.95	\$ 11.66	\$ 11.14	\$ 10.84	\$ 11.04

Regulatory Capital Position

The Bank's capital position remains above the regulatory thresholds required to be deemed "well-capitalized," with a total risk-based capital ratio of 12.91 percent and leverage ratio of 9.23 percent as of June 30, 2023.

Regulatory Capital Ratios

Bank Only	For the Periods Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Tier 1	12.00%	12.12%	11.18%	11.13%	10.81%
Leverage	9.23%	9.13%	8.56%	8.33%	8.37%
CET-1	12.00%	12.12%	11.18%	11.13%	10.81%
Total	12.91%	13.05%	12.12%	12.01%	11.63%

Additional Data	For the Periods Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Branches	12	12	12	12	12
Employees (Full Time Equivalent)	170	164	158	152	153

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with approximately \$1.5 billion in total assets as of June 30, 2023. The Company's banking subsidiary, South Atlantic Bank, is a full-service financial institution spanning the entire coastal area of South Carolina, and is locally owned, controlled and operated. The Bank operates twelve offices in Myrtle Beach, Carolina Forest, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Bluffton, Hilton Head Island and Beaufort, South Carolina. The Bank specializes in providing personalized community banking services to individuals, small businesses and corporations. Services include a full range of consumer and commercial banking products, including mortgage, and treasury management, including South Atlantic Bank goMobile, the Bank's mobile banking app. The Bank also offers internet banking, no-fee ATM access, checking, certificates of deposit and money market accounts, merchant services, mortgage loans, remote deposit capture, and more. For more information, visit www.SouthAtlantic.bank.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains, among other things, certain statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements with references to a future period or statements preceded by, followed by, or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "project," "outlook" or similar terms or expressions. These statements are based upon the current beliefs and good faith expectations of the Company's management team and are subject to significant risks and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control). These risks, uncertainties and other factors may cause the actual results, performance, and achievements of the Company to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Factors that could cause such differences include, but are not limited to, general economic conditions, potential recession in the United States and our market areas, the impacts related to or resulting from recent bank failures and any continuation of the recent uncertainty in the banking industry, including the associated impact to the Company and other financial institutions of any regulatory changes or other mitigation efforts taken by government agencies in response thereto, increased competition for deposits and related changes in deposit customer behavior, changes in market interest rates and loan and deposit pricing, the persistence of the current inflationary environment in our market areas and the United States, the uncertain impacts of ongoing quantitative tightening and current and future monetary policies of the Board of Governors of the Federal Reserve System, the effects of declines in housing prices in the United States and our market areas, increases in unemployment rates in the United States and our market areas, declines in commercial real estate prices, uncertainty regarding United States fiscal debt and budget matters, severe weather, natural disasters, acts of war or terrorism or other external events, regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, the receipt of required regulatory approvals, changes in tax laws, and current or future litigation, regulatory examinations or other legal and/or regulatory actions. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized and readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. The inclusion of this forward-looking information should not be construed as a representation by the Company or any person that the future events, plans, or expectations contemplated by the Company will be achieved and readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. Any forward-looking statements contained in this press release are made as of the date hereof, and the Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law. All forward-looking statements, express or implied, included in the press release are qualified in their entirety by this cautionary statement.

Information contained herein, other than information as of December 31, 2022, is unaudited. All financial data should be read in conjunction with the notes to the consolidated financial statements of the Company and the Bank as of and for

the fiscal year ended December 31, 2022, as contained in the Company's 2022 Annual Report located on the Company's website.

Available Information

The Company maintains an Internet web site at www.southatlantic.bank/about-us/investor-relations. The Company makes available, free of charge, on its web site the Company's annual meeting materials, annual reports, and quarterly earnings reports. In addition, the OTC Markets Group maintains an Internet site that contains reports, proxy and information statements, and other information regarding the Company (at www.otcmarkets.com/stock/SABK/overview).

The Company routinely posts important information for investors on its web site (under www.southatlantic.bank and, more specifically, under the Investor Relations tab at www.southatlantic.bank/about-us/investor-relations/). The Company intends to use its web site as a means of disclosing material non-public information and for complying with its disclosure obligations under the OTC Markets Group OTCQX Rules for U.S. Banks. Accordingly, investors should monitor the Company's web site, in addition to following the Company's press releases, OTC filings, public conference calls, presentations and webcasts.

The information contained on, or that may be accessed through, the Company's web site is not incorporated by reference into, and is not a part of, this press release.

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